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C O N F I D E N T I A L SECTION 01 OF 03 MUSCAT 000027

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TAGS: [PGOV](#) [PHUM](#) [ELAB](#) [ETRD](#) [KMPI](#) [MU](#)  
SUBJECT: TRIPARTITE VIEWS ON LABOR REFORMS IN OMAN

REF: A. 06 MUSCAT 1565  
[1](#)B. 06 MUSCAT 1573  
[1](#)C. 06 MUSCAT 1722  
[1](#)D. 06 MUSCAT 1511  
[1](#)E. 05 MUSCAT 0669  
[1](#)F. 06 MUSCAT 1458

Classified By: Ambassador Gary A. Grappo, reasons 1.4 b/d.

[1](#)1. (C) Summary: Local contacts in business, labor and government are responding with uncertainty to Oman's recent and rapid labor reforms in connection with the U.S.- Oman Free Trade Agreement (FTA). Business is concerned that workers immediately will strike or bargain for higher wages, upsetting the labor market. Labor, however, remains disorganized, with leaders saying they lack the foundation to take advantage of new rights. Government is concerned that unions could contribute in the future to internal instability through contacts with international organizations, and is developing plans to guide their development. Each sector has asked for USG support to help smooth implementation of labor reforms. End comment.

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Background  
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[1](#)2. (C) Between July and December 2006, Oman passed a number of far-reaching reforms to its 2003 Labor Law (ref A-C). Under the reforms, workers now are allowed to organize unions, conduct strikes and engage in collective bargaining - freedoms that many government officials say were unimaginable just last year. Due to the quick pace of reform, however, contacts in business, labor and government tell poloff that they have entered a period of uncertainty. They are unsure about relations with each other and concerned about what changes - if any - the reforms may herald in Oman's social, political and economic landscape.

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Perspective from Business  
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[1](#)3. (C) Contacts among business leaders tell poloff that they feel vulnerable in the wake of reforms, and are concerned that their associates in government and labor are unprepared to engage in partnership or manage implementation of the new legal framework. They believe that workers will not understand their responsibilities as members of a union, and that few have experience in conducting strikes or collective

bargaining. Upper-level managers at the Oman Society for Petroleum Services (OPAL), a non-governmental organization representing 208 companies and 28,000 workers in Oman's oil and gas industry, shared with poloff that they have similar concerns about government, and that they know of few officials at the Ministry of Manpower (MOM), or judges in the civil courts, who have experience in mediating or resolving labor disputes. They added that OPAL's members feel that the Chamber of Commerce is out of touch with their needs, and that business lacks an institution to protect its interests.

14. (C) Sheswar al-Belushi, OPAL's CEO, said his members are worried that without proper implementation, the reforms could lead to economic instability, especially if workers immediately try to increase wages through strikes and collective bargaining (ref D). He explained that there are two major discrepancies in the labor market: the gap between average private and public sector wages and compensation packages (public sector employees earn more on average for fewer work hours and receive more holidays); and the wage gap between low and semi-skilled expatriates and Omanis, who can earn as much as double for the same work. Al-Belushi opined that the government should have addressed these issues first - by passing an expatriate minimum wage, for instance - in order to minimize the number of basic issues subject to negotiation and allow businesses a chance to plan. As it stands, he said, small companies and those with labor-intensive production are worried that they could be driven out of business by wage inflation and the costs to productivity of negotiating with multiple unions or worker representatives.

15. (C) Contacts report that managers feel vulnerable to labor demands, which heightens their uneasiness about the

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ramifications of reform. Is-haq al-Rawahy, Managing Director of Bin Salaam Enterprises, an import/export company that is part of a family-run conglomeration of businesses, told poloff that workers - particularly those with skills - are in a strong position to get what they want out of collective bargaining. Demand for skilled labor far outpaces supply throughout the region, he said. In addition, Oman is enjoying an economic boom due to the high price of oil, high regional liquidity and Oman's more open economy, and workers know that companies may be in the best position in years to absorb extra costs. (Note: The government reported that Oman's 2006 gross domestic product increased by more than 16.8 percent in current prices over the previous year. End note.)

16. (C) Based on their impressions of vulnerability, contacts among business leaders state that they are actively seeking ways to manage the implementation of reform themselves. Al-Rawahy mentioned that he has reached an informal agreement with his regional partners not to hire each other's employees in order to strengthen his bargaining position and protect against wage inflation. Al-Belushi stated that OPAL is actively designing a template for its members to guide the development of labor unions. His human resources department hopes to get out in front of unions, he said, in defining the parameters of the relationship between workers and management. Al-Belushi added that while his members are interested in dialogue, and a win-win solution that promotes labor stability, they want to make sure that their interests are covered.

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Perspective from Labor  
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17. (C) Workers inform us that organized labor is weak, and that the existing worker representative organizations are unprepared to expand their base or take advantage of new rights offered by reforms. Although government statistics indicate that there currently are 34 unions registered with

the MOM, contacts among union leaders and in the MOM's Department of Labor Care report that most exist in name only as holdovers from the worker committees that government and business helped establish in 2005 (ref E). They further state that no new unions have been created since July 2006 when Royal Decree 74 legalized them.

18. (C) Members of the General Federation of Oman's Laborers, the current national-level worker representative body, tell poloff that they felt immobilized during the process of reform, and remain unclear about how to comply with new regulations governing union organizing. Saoud al-Jabri, Vice President of the General Federation, said that Minister of Manpower Juma bin ali-Juma met with Federation members on December 21, 2006 to help clarify the way forward. According to al-Jabri and other contacts who attended the meeting, the Minister informed the members that he wants to bring organized labor into compliance with the regulations outlined in Ministerial Decision 311, and asked for their help in immediately organizing new union elections in individual firms. Ali-Juma requested that members of the Federation remain in their positions on an interim basis, al-Jabri said, but stated that the Ministry's goal is to have unions elect new sectoral and national leaders before the end of the year (ref F).

19. (C) Al-Jabri expects unions will have a hard time organizing their base in preparation for elections, and accordingly need to begin building awareness in order to meet the Minister's timeline. He said, for instance, that most workers lack a clear understanding of the benefits of union membership. The government already provides a fairly substantial social safety net for Omanis, including health care and education, for example, and therefore many workers are not clear what additional services unions could provide. Al-Jabri and other contacts further contend that Omanis are used to looking to the government or local sheikh to act as their primary interlocutor with employers, and see unions as an unnatural intermediary. They also point out that high job turnover among Omanis may present an additional barrier to unions establishing a solid membership. (Note: Contacts state that many low-skilled Omanis reportedly stay at their private sector jobs for as few as 2-3 months, switching jobs repeatedly in hopes that they eventually will secure public

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sector employment. End note.) While Oman's large expatriate workforce could prove fertile ground for union membership, contacts say that most migrant workers feel too vulnerable to get involved and fear that employers could deport them for union activity.

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Perspective from Government  
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10. (C) Government officials acknowledge that they have been slow to develop the necessary capacity to implement labor reforms. Contacts in the MOM tell poloff, however, that Minister ali-Juma is ready to guide the process of reform to make sure that the government retains some element of supervision. In a meeting with Emboffs and a visiting delegation from the office of the United States Trade Representative (USTR) in December 2006, Minister ali-Juma expressed his concern that Oman's experiment with unions would collapse without some government oversight. He said that while he supports change, he wants to make sure that Oman is not "jumping (into a new social experiment) without protection."

11. (C) Contacts imply that the government is primarily concerned that unions - particularly those in which foreign workers would comprise the majority of the membership - could prove susceptible to the politicized agendas of foreign trade unions. Throughout the course of FTA discussions about labor reforms, Minister ali-Juma insisted that the law retain

limitations on unions' ability to attend foreign conferences.

Government officials tell poloff that the MOM is preparing a plan to guide union development and shield them from outside influence. A primary component of the plan is to help finance union start-up so that they will not have to seek foreign sources of funding. Saleh al-Amri, Director General of the MOM's Directorate of Labor Care, told poloff that the government is considering providing the General Confederation of the Sultanate of Oman's Laborers - once elected - with several parcels of land in the Muscat area, which it would be free to sell, lease or develop. Saleh said that the proposal also calls for the government to provide direct financial support to cover the Confederation's salaries, rent and operating costs for a two-year period.

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Comment  
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¶12. (C) Contacts in all three sectors are uniform in saying that Oman has entered new territory in labor relations, and no one knows what to expect. There appears to be very little communication and trust among business, government and labor, and each is moving independently to define labor relations. Unions are unsophisticated and disorganized, and the least able to protect their own interests. Having been the primary mover in getting Oman to dramatically reform its labor sector, the USG now may wish to consider how best to ensure the reform effort succeeds, e.g., by helping to foster communication among the concerned parties, and make sure that reforms are implemented in a way that protects worker rights while supporting long-term stability in the labor market. Post will respond to Department's request for specific training ideas septel. End comment.  
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